

and Hartford Life, Inc. is a direct and wholly-owned subsidiary of Hartford Holdings, Inc., a Delaware corporation, and Hartford Holdings, Inc., is a direct and wholly-owned subsidiary of the Hartford Financial Services Group, Inc., a publicly traded Delaware corporation.

Supplemental information was subsequently requested by the Department and provided by the Applicants. An Amended Application was filed with the Department on February 15, 2006; additional supplemental information was filed on March 1, 2006. On March 23, 2006, a substituted signature and certification page for the Application was filed.

The Proposed Acquisition will be effected pursuant to a Stock Purchase Agreement, dated as of November 15, 2005 by and between Hartford Life & Accident Insurance Company and ACE Group Holdings, Inc., (“Agreement”). The Stock Purchase agreement was amended on March 22, 2006.

On March 13, 2006, Commissioner Susan F. Cogswell (“Commissioner Cogswell”) issued a notice of hearing, in which she ordered that a public hearing concerning the application for approval of the Proposed Acquisition of Control of the Domestic Insurer be held on March 30, 2006. The hearing notice was subsequently published in *The Hartford Courant*, once a week for two consecutive weeks during the period of March 14, 2006 to March 24, 2006 inclusive. The notice of hearing was also filed by the Department with the Office of the Secretary of State on March 13, 2006 and was published on the Department’s Internet website. Commissioner Cogswell presided over the March 30, 2006 hearing. In accordance with section 38a-8-48 of the Regulations of the Connecticut State Agencies, the following were designated as parties to this proceeding: the Applicants and the Domestic Insurer.

The following individual participated in and/or testified at the public hearing on behalf of the Applicant and the Domestic Insurer:

Jack R. Scott, Esq.

Frederic Marro, Esq. of Fredric Marro & Associates, P.C represented the Applicants. Walter Welsh represented the Domestic Insurers.

The following Department staff participated in the public hearing:

Beth Cook, Esq., Kathy Belfi and Joan Nakano.

Pursuant to the published hearing notice, the public was given an opportunity to speak at the hearing or to submit written comments no later than the close of business on March 28, 2006, by an Order dated March 13, 2006. No public officials or members of the public signed up to speak, spoke at the hearing, or submitted written testimony.

On April 17, 2006, Governor M. Jodi Rell appointed the undersigned as Acting Insurance Commissioner to discharge the duties of the Insurance Commissioner during Commissioner Cogswell's unanticipated medical leave of absence. Pursuant to the authority of Conn. Gen. Stat. § 4-8 and the Uniform Administrative Procedure Act, Conn. Gen. Stat. § 4-166 et seq., the undersigned is authorized to render the decision in this matter.*

II. FINDINGS OF FACT

After reviewing the exhibits entered into the record of this proceeding, and based on the written and oral testimony of the witnesses, the undersigned makes the following findings of fact:

1. ACE is a Delaware business corporation organized in 1999 and acts as a holding company for many of ACE Limited's United States and foreign insurance and non-insurance operations. The principal business address of ACE is 1133 Avenue of the Americas, New York, NY 10036.

* See Op. Atty. Gen. Of Conn. (March 19, 1996)(Deputy Insurance Commissioner authorized to exercise the powers and duties of the Insurance Commissioner with respect to a pending application under Conn. Gen. Stat. § 38a-132 to approve the acquisition of a domestic insurer and to make the appropriate findings and orders based on the record evidence of a hearing held by the Commissioner.)

2. ACE Limited (“ACE Limited”) owns 100% of the issued and outstanding capital stock of ACE Group Holdings and is its ultimate controlling person. ACE Limited is a business corporation organized under the laws of the Cayman Islands with its principal place of business in Hamilton, Bermuda and its ordinary shares of stock are publicly traded on the New York Stock Exchange.
3. ACE currently directly owns three United States holding company subsidiaries and indirectly owns three United States holding company subsidiaries and indirectly owns many United States and foreign insurance company and non-insurance company subsidiaries. ACE Limited’s insurance company subsidiaries underwrite a broad line of commercial property and casualty products, and a growing array of accident and health, personal lines and life products in the United States and abroad.
4. ACE writes over \$1.33 billion of life and accident and health insurance premiums in nearly 50 countries.
5. Hart has not engaged in any activity or entered into or carried out any transaction in over ten years.
6. As of December 31, 2004, Hart Life had 21 insureds under single premium deferred annuity contracts for which no additional premium is due.
7. Two of the contracts had been issued in 1979 under the prior corporate identity of Crum & Forster Life Insurance Company; the other 19 contracts were issued between 1980 and 1983 when the company was named Charter Security Life Insurance Company.

8. All the contracts have been ceded (100%) to MetLife Inc., under a reinsurance agreement and MetLife, Inc. handles the administration for the contracts. The total actual value and reserve as of December 31, 2004 was \$877,313.
9. In accordance with the Agreement, the Applicant will purchase one hundred percent of the issued and outstanding shares of the capital stock of Hart from Hartford Life and Accident.
10. The Merger consideration consists of the estimated surplus amount plus the amount of \$2.75 million subject to several adjustments set forth in the Agreement.
11. The consideration will be paid by Applicant out of internal funds.
12. The nature and amount of the consideration to be paid in connection with the proposed Merger was determined by arm's length negotiation between the Applicant and Hartford Life and Accident.
13. Following the Merger, Hart will become a wholly-owned subsidiary of ACE and will change the company's name to ACE Life Insurance Company ("ACE Life").
14. Following the Merger, ACE Life will commence active operations and new management will be put in place. Principal place of business is to be in Stamford, CT.
15. After the Merger, the following will be officers of ACE Life:

Ronald Colligan, President

Robert Jefferson, Chief Financial Officer, Treasurer

Leonard Mangini, Chief Actuary

Jack R. Scott, General Counsel, Secretary

Kirk Peebles, Controller

16. After the Merger, the following will be members of the board of directors for ACE Life:

Barry Jacobson

Ronald Colligan

Robert Jefferson

Leonard Mangini

Jack R. Scott

17. The biographical affidavits of the new members of the boards of directors and officers of ACE Life, which include each individual's educational background, professional credentials, and employment history, are included in the record and the files of the Insurance Department.

18. During the 12 calendar months preceding the filing of the application, neither the Applicants, nor any person controlling, controlled by or under common control with, the Applicants nor any of the executive officers or directors of the Applicants has effected transactions in any voting securities of Hart Life.

19. Neither the Applicants, nor its affiliates, nor any person listed as a director or executive officer of the Applicants, nor anyone based upon interviews or at the suggestion of such acquiring party made any recommendations to purchase any voting securities of Hart Life during the 12 calendar months preceding the filing of the Application.

20. There are no plans or proposals to have Hart Life declare an extraordinary dividend, make any other distribution, liquidate, sell its assets to or merge or consolidate with any other person or make any other material change in its corporate structure.
21. Other than the Merger & Acquisition Services, Inc. which will receive a finders fee for identifying Hart Life as a candidate for successful acquisition upon completion of the acquisition, there are no contracts, arrangements, understandings or agreements with broker-dealers as to the solicitation to any voting security of Hart Life in which the Applicants, any affiliates of the Applicants, or any person listed as a director or executive officer of the Applicants is involved. An executed copy of the agreement with Mergers & Acquisition Services, Inc. was filed as Exhibit 11 to the Application.
22. ACE currently employs approximately 146 employees in Connecticut.
23. Immediately following the Merger, ACE plans to locate the following operational functions in Connecticut: executive sales and marketing; new business analysis and pricing; reinsurance structuring and treaty development; electronic recordkeeping for new and inforce business; valuation, financial reporting and experience monitoring.
24. Over the period of 2006 through 2008, ACE expects to increase staffing by filling positions in actuarial, administrative, underwriting, marketing, and staff support.
25. ACE Life intends to keep copies of financial records as prepared for each calendar quarter in the Connecticut office.
26. ACE Life will have access to web-based financial systems that will provide access to financial data on a real-time basis.

27. Mr. Scott testified that a full field examination will be able to be conducted in accordance with the Financial Condition Examiner's Handbook at the proposed Stamford Home Office location.
28. Mr. Scott testified that ACE Life will work with the Insurance Department to insure that a potential receiver will have the legal right to obtain access to web-based financial data relating to the Company should the company be placed in a receivership.

III. DISCUSSION

Section 38a-132(b) of the Connecticut General Statutes specifically requires the approval of the proposed acquisition of control of the Domestic Insurer unless it is determined that:

- (A) After the change of control, the Domestic Insurer would not be able to satisfy the requirements for the issuance of a license to write the lines of business for which it is presently licensed;
- (B) The effect of the merger or other acquisition of control would be to substantially lessen competition of insurance in this state or tend to create a monopoly in Connecticut;
- (C) The financial condition of the acquiring party is such as might jeopardize the financial stability of the Domestic Insurer or prejudice the interests of its policyholders;
- (D) The plans or proposals which the acquiring party has to liquidate the Domestic Insurer, sell its assets or consolidate or merge it with any person, or make any other material change in its business or corporate structure or management, are unfair and unreasonable to policyholders of the Domestic Insurer and not in the public interest;
- (E) The competence, experience and integrity of those persons who would control the operations of the Domestic Insurer are such that it would not be in the interest of the

policyholders of the Domestic Insurers and of the public to permit the merger or other acquisition of control; or

(F) The acquisition of control of the Domestic Insurer is likely to be hazardous or prejudicial to those buying insurance.

A. The ability of the Domestic Insurer to satisfy the requirements for the issuance of a license to write the line or lines of business for which it is presently licensed following the proposed acquisition of control.

The Domestic Insurer is a domestic insurance company currently licensed pursuant to section 38a-41 of the Connecticut General Statutes. Section 38a-72 of the Connecticut General Statutes requires that a domestic stock life reinsurance company must have a minimum of \$1,000,000 in capital and \$2,000,000 in paid-in surplus in the aggregate. The Domestic Insurer currently satisfies the requirements for the issuance of a license to write the lines of business for which it is licensed.

As noted in the findings of fact, following consummation of the Merger, the Applicant has no plans or proposals to liquidate the Domestic Insurer, to sell its assets, merge, or consolidate the Domestic Insurer with any other person or entity. There are no plans for the Domestic Insurer to enter into any material contract, agreement, arrangement or transaction of any kind with any person or entity. In addition to the criteria set forth in section 38a-72 of the Connecticut General Statutes, the Department considers the location of the company's books, records and assets, and the management of the company when evaluating an insurer's ability to operate pursuant to 38a-41 of the Connecticut General Statutes. While certain physical books and records are to be located outside of Connecticut, real-time access to the records will be available in Connecticut via Internet based systems.

The Applicant also submitted evidence that the information contained in the biographical affidavits for the directors and officers of Applicant proposed for the Domestic Insurer attest to

the competence, experience and integrity of the individuals who will be responsible for the governance and operation of the Domestic Insurer, and should insure the safe and expert operation of the Domestic Insurer following the Proposed Acquisition.

Accordingly, it is the conclusion of the Insurance Department that the evidence contained in the record supports a finding that the Applicant will be able to satisfy the requirements for the issuance of the necessary license of an insurer for which it is presently licensed following the proposed acquisition of control of the Domestic Insurer.

B. Whether the effect of the Proposed Acquisition would be to substantially lessen competition of insurance in this state or tend to create a monopoly herein.

The Domestic Insurer has not engaged in any activity or entered into or carried out any transaction in ten years. Therefore, it is hereby concluded that the effect of the acquisition of control by the Applicant will not substantially lessen competition of insurance or tend to create a monopoly in Connecticut.

C. Whether the financial condition of the Applicant is such as might jeopardize the financial stability of the Domestic Insurer or prejudice the interests of their policyholders.

Based on the evidence contained in the record, there is no evidence that would indicate the financial condition of the Applicant might jeopardize the financial condition of the Domestic Insurer, or prejudice the interest of the policyholders.

D. Whether the plans or proposals which the Applicant has to liquidate the Domestic Insurer, sell its assets or consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management, are unfair and unreasonable to policyholders of the Domestic Insurer and not in the public interest.

The record reveals that the Applicant has no current plans or proposals to liquidate the Domestic Insurer, to sell its assets, or consolidate or merge it with any other entity.

Accordingly, the record supports the conclusion that there are no plans or proposals for the Domestic Insurer that are unfair and unreasonable to policyholders of the Domestic Insurer or not in the public interest.

E. Whether the competence, experience and integrity of those persons who would control the operation of the Domestic Insurer are such that it would not be in the interest of the policyholders of the Domestic Insurer and of the public to permit the Proposed Acquisition or other acquisition of control.

The record includes the biographical affidavits of those individuals who will serve as members of the board and as officers of the Applicants and the Domestic Insurer following the change of control. The biographical affidavits disclose each individual's educational background, professional credentials and their employment history. In addition, the Applicant has represented, and the biographical affidavits confirm, that during the last ten years none of the proposed directors or officers of the Applicants and Domestic Insurer have been convicted in a criminal proceeding (excluding minor traffic violations) or have been convicted or otherwise penalized for violating any federal or state law regulating the business of insurance, securities or banking, (or in the case of an alien person, such equivalent provision as applicable). During the last ten years, none of the proposed directors or officers of the Applicants have been the subject of any proceeding under the Federal Bankruptcy Code, (or in the case of an alien person, such equivalent provision as applicable) or have been affiliated with a business or organization which has been subject to such proceeding.

Furthermore, no proposed director or officer of the Applicants or Domestic Insurer has had a revocation, suspension or disciplinary sanction imposed against him or her by a

governmental agency. None of the filed biographical affidavits contain any information that reflects negatively on the integrity of these individuals. The competence, experience, and integrity of those persons who would control the operations of the Domestic Insurer after the Proposed Acquisition is such that it would be in the interest of policyholders of the Domestic Insurer, and in the public interest to permit the Proposed Acquisition.

F. Whether the acquisition is likely to be hazardous or prejudicial to those buying insurance.

Based on the financial strength of the Applicant, the affirmation that the current plans of the Applicant for the Domestic Insurer will provide a strong and stable financial environment for the Domestic Insurer, it is hereby concluded that the proposed acquisition of control of the Domestic Insurer is not likely to be hazardous to those buying insurance.

Accordingly, assuming compliance with all of Connecticut's insurance statutes and regulations, it is reasonable to conclude that the proposed acquisition of control of the Domestic Insurer is not likely to be hazardous to those buying insurance.

IV. DECISION

Accordingly, based on the foregoing findings of fact and discussion, the written testimony and exhibits submitted, the record of the March 30, 2006 public hearing, and the recommendation of the Insurance Department staff, as Acting Insurance Commissioner, I conclude that the Applicants have satisfied the statutory criteria as provided in section 38a-132(b) of the Connecticut General Statutes. Accordingly, I find that pursuant to the relevant section 38a-132(b) of the Connecticut General Statutes that after the proposed acquisition of control (a) the Domestic Insurers will be able to meet the requirements for licensing in this state; (b) the effect of the acquisition of control will not be to substantially lessen competition in this state or tend to create a monopoly therein; (c) the financial condition of the Applicants is not

such as might jeopardize the financial stability of the Domestic Insurer, or prejudice the interest of their policyholders; (d) the plans or proposals for the Domestic Insurer are not unfair and unreasonable to their policyholders, and are in the public interest; (e) the competence, experience and integrity of the management of the Applicants is such that it would be in the interest of policyholders of the Domestic Insurer, and of the public to permit the proposed acquisition of control; and (f) the acquisition of control of the Domestic Insurer is not likely to be hazardous or prejudicial to those buying insurance.

Accordingly, I order the following:

1. The Form A Application of the Applicants in which they seek approval to acquire control of the Domestic Insurer is hereby approved.
2. The Applicants shall provide the Insurance Department with written confirmation of the consummation of the acquisition of control by the end of the month the acquisition of control takes place.
3. For a period of two (2) years, the Domestic Insurer shall file semiannually with the Insurance Department, commencing six months from consummation of the transaction, a report under oath of its business operations in Connecticut, including but not limited to, the status of the integration with the Applicants, changes to the business of the Domestic Insurer; employment levels; changes in officers of ACE; any changes in location of its operations in Connecticut; and charitable contributions; and, notice of any statutory compliance or regulatory actions taken by other state regulatory authorities against the Applicant and ACE.
4. The Applicants shall provide the Department with the names and titles of those individuals who will be responsible for filing transactions for prior approval pursuant to Conn. Gen. Stats. 38a-135 and 38a-136.

6. Within fifteen (15) days following the end of the month in which the proposed acquisition is consummated, ACE shall file an amended Insurance Holding Company System Annual Registration Statement pursuant to section 38a-138-10 of the Regulations of Connecticut State Agencies.
7. If the proposed transaction is not consummated within three (3) months of the date of this Order and the Applicant intend to consummate the proposed transaction, the Applicant shall submit to the Commissioner a statement, which shall include (1) the reason for the Applicant's inability to consummate the proposed transaction; (2) any material changes in the information contained in the Form A Application; and (3) the current financial statements of the Applicant, the Domestic Insurers, and ACE.
8. The Domestic Insurers shall, at all times, maintain their books, records, and assets in Connecticut pursuant to Connecticut law, unless otherwise approved by the Commissioner.
9. The Applicants shall pay expenses incurred by the Insurance Commissioner in connection with the Insurance Department's review of the captioned transaction pursuant to sections 38a-132(a)(3) and 38a-132(c) of the Connecticut General Statutes.

Dated at Hartford, Connecticut, this 20th day of April, 2006



Jayne E. McLaughlin
Acting Insurance Commissioner